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**Finance Committee**

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**HB 1324**

**Brief Description:** Providing sales and use tax exemptions for prescribed durable medical equipment used in the home and prescribed mobility enhancing equipment.

**Sponsors:** Representatives Hunter, Lovick, Alexander, Simpson, Ericks, Dickerson, Dunn, Morrell, McDonald, Conway, Linville, Wallace and Schual-Berke.

**Brief Summary of Bill**

- Exempts durable medical equipment and mobility enhancing equipment from sales and use tax.

**Hearing Date:** 2/2/07

**Staff:** Jeff Mitchell (786-7139).

**Background:**

Retail sales and use taxes are imposed by the state, most cities, and all counties. Retail sales taxes are imposed on retail sales of most articles of tangible personal property and some services. Use taxes apply to the value of most tangible personal property and some services when used in this state, if retail sales taxes were not collected when the property or services were acquired by the user. Use tax rates are the same as retail sales tax rates. The state tax rate is 6.5 percent. Local tax rates vary from 0.5 percent to 2.4 percent, depending on the location. The average local tax rate is 2.0, for an average combined state and local tax rate of 8.5 percent.

Sales of mobility enhancing equipment (MEE) are not exempt from sales and use tax. MEE is equipment that is primarily used to provide or increase the ability to move from one place to another and that is appropriate for use either in the home or a motor vehicle. Examples of MEE include: canes, chair lifts, crutches, wheelchairs, and walkers.

Sales of most durable medical equipment (DME) are not exempt from sales and use tax. DME is equipment used to serve a medical purpose, that can withstand repeated use, and is generally not useful in the absence of disease or injury. DME and MEE are mutually exclusive categories. The

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only items of DME currently exempt from sales and use tax are medically prescribed oxygen and associated systems, nebulizers, and kidney dialysis devices.

Prosthetic devices are currently exempt from sales and use tax. Examples of prosthetic devices include: ace bandages, arm slings, corrective eyewear, and hearing aids.

**Summary of Bill:**

The sale of prescribed DME for home use is exempted from sales and use tax.

The sale of prescribed MEE is exempted from sales and use tax.

Medically prescribed oxygen, nebulizers, and kidney dialysis devices are items that would be included within the definition of DME. However, the exemption for DME in the bill is limited to items for home use. A refund mechanism is created for medically prescribed oxygen, nebulizers, and kidney dialysis devices, not for home use. This refund mechanism preserves the tax exempt status of these items for non-home use and conforms with the streamlined sales and use tax agreement.

The components parts of MEE, prosthetic devices, and DME, including medically prescribed oxygen, nebulizers, and kidney dialysis devices, are exempted from sales and use tax.

**Appropriation:** None.

**Fiscal Note:** Requested on January 19, 2007.

**Effective Date:** The bill takes effect 90 days after adjournment of session in which bill is passed.